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Date: June 23, 2026

To: Finance Committee

From: Rachelle Blitch, Director of Financial and Administrative Services

Re: TID Net New Construction

Concerns have been raised about rising property taxes and the desire to keep the levy as flat as possible. One suggestion was to forgo taking the allowable levy increase from net new construction. However, if the City does not take this increase in the year (or the next) it is available, that capacity is permanently lost. Given that municipalities are already struggling to keep pace with inflation, staff does not recommend this approach.

Instead, staff recommends taking the full allowable levy increase each year and redirecting those funds to reduce the debt levy. This strategy preserves the City's long-term levy capacity while still providing flexibility to keep property taxes relatively flat.

**Understanding the Levy Limit Worksheet**

The levy limit worksheet (attached) has two components:

1. **Operational Levy**
   - Restricted to the percentage of net new construction (new construction minus demolitions).
2. **Debt Levy**
   - Capped at 5% of the municipality's equalized value.
   - Each year, total principal and interest payments are included in the worksheet.
   - For the 2025 payable 2026 levy, the allowable debt levy is **$1,879,330**.

**Example Using the 2025 Payable 2026 Levy**

To illustrate how this strategy works:

- The difference between Line 5 and Line 6 on the worksheet represents the allowable increase from net new construction: **$50,163**.
- Of that amount, **$44,722** is attributable to the TIDs.
- Staff recommends applying that **$44,722** to reduce the debt levy or another option.

This is done by subtracting $44,722 from Line E on the levy limit worksheet, reducing the debt levy from **$1,879,330** to **$1,834,608**. This lowers the **total levy** to **$7,698,877**.

**Impact on Mill Rates:**

- Walworth: decreases from **$7.52** to **$7.47**
- Jefferson: decreases from **$7.72** to **$7.68**

**Impact on TID Increment:**

- Walworth: decreases from **$905,564** to **$903,391**
- Jefferson: decreases from **$244,787** to **$244,222**

These are minor changes to TID increment but meaningful reductions to the tax rate.

**Other Potential Options**

The City could also choose to allocate a portion of the allowable levy increase to support operational costs, or it could direct those funds toward reducing future borrowing needs. Both options provide flexibility depending on the City's financial priorities in a given budget cycle.

**Timing Challenge**

The only complication is timing. The Department of Revenue does not release the TID-specific net new construction figures until the annual report is published in the spring, while levy decisions must be made during the fall budget process.

If the Committee wishes to use this strategy, staff recommends using the 2025 annual report figures during the 2027 budget cycle. This would allow us to reduce the 2026 payable 2027 debt service levy by **$44,722**.

Staff recommends adopting one of these approaches as opposed to forgoing the allowable levy increase as a long-term strategy to maintain levy capacity while providing the flexibility needed to keep property taxes stable. Redirecting the allowable levy increase to reduce the debt levy offers a fiscally responsible path forward, preserves future budget options, and positions the City to better manage inflationary pressures and ongoing service demands.